

JPRS: 2618

CSO: 3620-N

14 May 1960

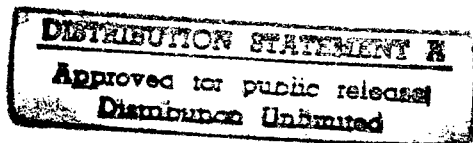
MAIN FILE

COMMODITY CIRCULATION STRUCTURE AND PRICE SYSTEM
IN COMMUNIST CHINA AFTER COMMUNALIZATION

By Hideo Yonezawa

DTIC QUALITY INSPECTED

RETURN TO MAIN FILE



Photocopies of this report may be purchased from:

PHOTODUPLICATION SERVICE
LIBRARY OF CONGRESS
WASHINGTON 25, D. C.

U. S. JOINT PUBLICATIONS RESEARCH SERVICE
205 EAST 42nd STREET, SUITE 300
NEW YORK 17, N. Y.

19980109 045

JPRS: 2618

CSO: 3620-N

COMMODITY CIRCULATION STRUCTURE AND PRICE SYSTEM
IN COMMUNIST CHINA AFTER COMMUNALIZATION

The following is a complete translation of an article written by Hideo Yonezawa, a member of the China Research Institute, Inc. in Tokyo, Japan. Comments by the author are enclosed in parentheses and those by the translator in brackets. Chugoku Shiryo Geppo, No. 140, Tokyo, 7 December 1959, pages 1 - 30/

TABLE OF CONTENTS

<u>Article</u>	<u>Page</u>
Preface to the October 1959 Issue.....	1
I. The Great Expansion and Transformation of Chinese Commercial Organs in connection with Communalization	2
II. Commodity Circulation Routes and the Price System in Rural Areas after Communalization	19
III. The System of Controlling Commodities in Three Classes	38

PREFACE TO THE OCTOBER, 1959 ISSUE

1. The communalization means a transformation of productive relationships. The purpose of this article is to find out how the commodity circulation structure and price system have been changed as a result of the communalization and how these changes have facilitated the expansion of productive forces. We consider the commodity circulation structure and price system as an extension of productive relationships or as a part of the broad system of productive relationship. Therefore, we will not deal here with the actual supply of and demand for commodities or with the fluctuations of prices.

2. Due to scarcity of materials, it is extremely hard to grasp the commodity circulation structure and price system of socialistic China. After spending a great deal of time in this project, the author has been able to clarify many points where he had been in error. The present article consists of three parts. The original plan was to deal with the application of price theories and the control of markets in a fourth part, but, we are planning to publish that section later because of the limitation of space in this issue.

3. Mr. Hideo Yonezawa, a member of this Institute, was responsible for writing the article.

November 1959

China Research Institute, Inc.

I. The Great Expansion and Transformation of Chinese Commercial Organs in Connection with Communalization

1. Closing Down of State-Operated Monopolistic Commercial Corporation

The following commercial organs used to deal with commodity circulation in China: state operated commercial enterprises, commercial enterprises of cooperatives, public-private joint operated commercial enterprises, cooperative stores, cooperative small teams, and privately operated commercial enterprises (small traders and peddlers). Of these organs the state operated commercial enterprises played the most important role with the help of the commercial enterprises operated by cooperatives. According to national planning some means of production were distributed directly to consuming units by state operated industrial enterprises without going through the channel of the state operated commercial enterprises, but as far as the circulation of commodities in general is concerned, the state operated commercial organs played the most important role.

The state operated commercial enterprises took the form of national corporations. During the period of the national economic recovery (1950-1952), each monopolistic general corporation (the head office of companies in each special field) had a system of independent accounting and organizations belonging to a general corporation had a system of trade banking, all the cash earnings of corporation branch offices in administrative districts and provinces had to be turned in daily; and cash expenditure of branch offices was taken out of the bank with the approval of the general corporation. Under the system of procuring commodities, all the inventories of the branch offices of the corporation were replenished by the order of the general corporation, profit or loss was not calculated, prices were determined by the general corporation, and the final accounts were made by transferring accounts. These systems were necessary to curb privately operated commercial enterprises and speculative operations during the period of recovery, when such tendencies still existed.

After the period of economic build-up began, the system of independent accounting practiced by monopolistic commercial corporations [national corporations] was extended to enterprises in local areas [sic]. It was attempted first by the China National General Merchandise

Corporation in the last quarter of 1952, and throughout the nation beginning in 1953. At the same time the system of procuring commodities was discontinued, and each buying and supplying organ carried on transactions by contracts. Although there was no relationship between head and branch offices, and corporations carried on a system of independent accounting in certain localities, the hierarchy [of economic institutions] created by national corporations was maintained, and the combined force of the hierarchy of monopolistic state corporations in various parts of the nation was used to control markets and to reform privately operated commercial and industrial enterprises. Thus, within the hierarchy, a system was set up whereby one organ substituted for another in making delivery of goods or in making payments through banks.

However, the general situation changed after the reforms in agriculture, the handicraft industry, and in privately operated commercial and industrial enterprises were basically accomplished; and after the socialist unified markets were established in 1956. There was then no need to centralize the control of state operated commercial enterprises. Also, there was no need to regulate the markets through the hierarchy of the national corporations. It was made clear that the decentralization of control over commercial enterprises and the elimination of the hierarchy of national corporations would contribute to the increase of productivity. The State Council directive dealing with improvement of the system of commercial management -- issued in November, 1957 and put into effect in 1958 -- called for the transfer to local authorities of the control over commercial enterprises, and for the elimination of the hierarchy of national corporations in the following words:

"As a principle, local commercial administrative organs and enterprises controlling organs are to be merged. For example, the various commercial organs are to be changed into organizations taking charge of both administrative affairs and enterprise management; and the local monopolistic commercial companies in existence are to be abolished and merged into commercial administrative organs. In certain municipalities and some districts, if studies show that merger is impossible, the merger will not be effected."

As a result, in 1958 the following national corporations under the control of the Ministry of Commerce of the State Council were abolished and merged into various ministries and bureaus: China National Cotton, Yarn, and

Cloth Corporation; China National General Merchandise Corporation; China National Cultural Supplies Corporation; China National Coal and Construction Materials Corporation; China National Hardware and Machinery Corporation; China National Communications and Electrical Equipment Corporation; China National Chemical Raw Materials Corporation; China National Pharmaceutical Corporation; China National Monopoly Corporation; China National Petroleum Corporation; China National Oil Corporation; China National Native Products Corporation; China National Foodstuffs Corporation; China National Land Transport Corporation; and the China National Grain Corporation under the Ministry of Food. Commodity circulation carried on by these organs was to be taken over by such government agencies as the Bureaus of Textile Goods, Hardware and Machinery, Cotton and Hemp, Tobacco, Native Products and Discarded Goods, Vegetables and Fruits, and Storage and Transportation under Ministries of Commerce, Food, Foreign Trade, Health, Aquatic Products, and Light Industry.

These central commercial authorities from time to time established offices in large cities and ports where production of goods were concentrated. The offices were called First Class Wholesale Stations. Some of these stations had refrigerated warehouses and simple warehouses. Both central and local authorities controlled this type of station, but the control by central authorities took precedence over local authorities. In the purchase, supply, storage, and transportation stations (second class wholesale station) established by commercial administrative organs (commercial offices and commercial bureaus in the case of city), the control by administrative organs in each province, self-governing district, and municipality was primary and the control by basic-level government organs in the particular area secondary.

Examples of commercial organs thus established are: the Chen-chiang Lumber Supply Station Commerce Office, Kiangsu Province; the Shanghai Stationary Buying and Supplying Station; Shanghai Municipality Clothing, Shoes, and Hat Corporation. Beginning in January of 1959, the First Commercial Bureau and Second Commercial Bureau in Shanghai were merged, and the commercial corporations to which these bureaus belonged were also merged. As a result, the number of corporations has decreased, while that of buying and supplying stations has increased.

In some provinces, self-governing districts, and municipalities, commercial foreign trade, salt, lumber, aquatic products, and material supply organs were merged;

in other places, commercial, foreign trade, aquatic products, and medicinal herbs organs were merged; in still other places cotton was taken care of by the Food Office.

(See Chang Chi-Sheng. We Must Reorganize Commercial Planning According to the Needs of the Society, in No 6, 1959 issue of Central Cooperative Bulletin, Chung-yang Hotso Tung-hsun.)

More important changes took place among the commercial organs in cities and hsien. Commercial bureaus in the hsien and city managed wholesale and retail exchange. What is significant after the great expansion is that the system of independent accounting reached down to the lowest level of commercial enterprises.

2. Merger of Cooperatives under the Principle of "Three Cooperatives Merge into One," and the Merger of Supply and Marketing Cooperatives by State Operated Commercial Organs

It was pointed out that production in the countryside would be increased if supply and marketing cooperatives, credit cooperatives, and agricultural producer cooperatives were merged, i.e. if the principle of the merger of three cooperatives into one was carried out. This idea was first tested in such places as Honan and Hopei provinces. In Honan province in February 1958, the principle of the "merger of three cooperatives" was tested according to a decision of the party provincial committee in three areas--namely, Hsiao-chi, Hsing-hsiang hsien; Chin-ti, Yen-chin hsien; and Ch'eng-kuan, Hsiuwu hsien. In May the principle was carried into effect throughout the following four hsien: An-yang, Ch'ing-yang, Meng, and Lin. In six hsien including Hui hsien the principle was partially carried into effect. Also, the merger of credit cooperatives and agricultural producer cooperatives took place throughout four hsien and in parts of three hsien. Agricultural producer cooperatives in Hsin-hsiang district established 1,356 supply and marketing departments and 2,377 credit departments. In An-yang hsien, 602 agricultural producer cooperatives had a total of 539 supply and marketing departments and 593 credit departments. (Communist China Hsing-cheng Local Committee Finance and Trade Department, "Preliminary Conclusions Concerning the Attempt at the Merger of Three Cooperatives in Hsing-Hsiang hsien," No 7, 1958).

In Hopei province, the merger of three cooperatives

was attempted in Te-t'ing hsiang, Sung hsien. There were 14 agricultural producer cooperatives. Three state operated supply and marketing stations were retained in Te-t'ing hsiang so that any farmer could buy and sell within 3 to 4 Li. Nine supply and marketing stations were newly established (one station for one cooperative) for cooperatives more than 3 Li away from the state operated supply and marketing stations. The Sung Hsien Party Committee Work Team, "Some Problems In the Attempt to Merge Three Cooperatives in Te-t'ing Hsiang," Chung-yang Ho-tso T'ung-shun, No 7, 1958).

Attempts were also made to merge the three amalgamated cooperatives with handicraft cooperatives. This merger was called the merger of four cooperatives. (Hu Min-ju, "Characteristics of People's Communes in Honan Province, Hung-ch'i, [Red Flag], No 1, 1959).

It is pointed out that these mergers facilitate commodity circulation because of the simplicity of the structure of circulation, the saving of labor, and the increase in the number of supply and marketing stations.

Some supply and marketing cooperatives were merged with state operated commercial enterprises. One of the publications of the People's University carries the following statement: "Beginning in 1958 state operated commercial enterprises and enterprises carried on by cooperatives were merged. Dividends on the capital of the supply and marketing cooperatives were partly paid out to individual members or transferred to the newly established supply and marketing departments in the agricultural producer cooperative or people's commune; the remainder was transferred to state operated commercial enterprises. (Chou Tsai-wang ed., "Financing of Socialist Commerce," 1958, p. 9). This statement shows that the merger of supply and marketing cooperatives and state operated commercial enterprises took place to some extent before the establishment of people's communes.

In the area in Wu-ch'ing hsien, Hopei province, where the K'uang-ch'ing people's commune is located, there were four supply and marketing cooperatives. In August and September 1958 they were merged into a central store and established a commercial branch office (probably a branch office of the hsien commercial bureau). There is one central store in each hsiang. This development indicates that the supply and marketing cooperatives were being nationalized. On the other hand, supply and marketing department was established in most of the agricultural producer cooperatives. Also, a reorganization

of privately operated commercial enterprises in each ch'u was completed, and public-private jointly operated stores were absorbed into state operated commercial enterprises before the communalization. (Survey Team of the Ministry of Commerce, "Survey on the Reform of the Commercial Systems within a People's Commune," Chung-yang Ho-tso Tung-hsun, No 2, 1959).

When the merger of three cooperatives took place in Ch'i-li-ying in Hsing-hsiang hsien, the supply and marketing stations -- lowest organs of the supply and marketing cooperative scattered in various villages -- were turned over to agricultural producer cooperatives; but the supply and marketing cooperatives themselves were renamed as general stores. One cotton purchasing station and four native-products-and-discarded-goods purchasing stations were established under the general store. The store was directly controlled by the Commerce Bureau of Hsing-hsian hsien and had only a transaction relationship /sic/ with agricultural producer cooperatives /received no managerial control from agricultural producer cooperatives. It seems that the merger of this supply and marketing station with state operated commercial enterprises did not help agricultural production much, but shows its value only after the communalization. "Survey Team, Ministry of Commerce, "Changes in Ch'i-li-ying's Commercial Activities," Chung-yang Ho-tso Tung-hsun, no 10, 1958).

Most supply and marketing cooperatives were absorbed into people's communes, but some of them were left outside the communes even after communalization. According to a report on commodity economy in the people's communes in Li-she and Li-shan, Fu-yang hsien, Chekiang province, prepared jointly by the Shanghai Economic Research Institute of the Academy of Science of China and the Economic Research Institute of the Shanghai Academy of Social Sciences, the native products sold to the state by the people's commune in Li-shan, Fu-yang hsien were bought chiefly by supply and marketing cooperatives. It is probably that the supply and marketing cooperative in this case is a ch'u supply and marketing cooperative, which is larger than the one in a hsien.

A report prepared by the Commercial Affairs Bureau of T'ung-nan hsien, Szechwan province entitled, "Our Ways of Promoting Contract Systems" (Ta-kung-pao, 26 February 1959) points out that people's communes had transactions with supply and marketing cooperatives. However, in a place like Honan province, the administrative district

has been abolished.

Hsien supply and marketing cooperatives and provincial supply and marketing cooperatives still exist. The seventh article of the provisional charter of the Satellite People's Commune in Sui-ping hsien, Honan province (Jen-min-Jih-pao, 4 September 1958; Japanese translation, People's Commune Movement in China, published by Gaibun Shuppan Sha) stipulates that the supply and marketing department of the commune shall join the hsien supply and marketing cooperative. This shows clearly that supply and marketing cooperatives exist on the hsien level and leads us to assume that provincial supply and marketing cooperatives also exist.

The fact that the national supply and marketing general cooperative (headquarters of the supply and marketing cooperatives throughout the nation) still exists is proved by the continuation of the Chung-yang Ho-Tso Tung-hsun published jointly by the Ministry of Commerce and the national supply and marketing general cooperative. It was the national supply and marketing general cooperative that welcomed a delegation of the Federation of Consumers Cooperatives of the Soviet Union in July 1959. Deputy Chairman of the national supply and marketing general cooperative and the director of the Commodity Exchange Bureau of the Ministry of Commerce greeted the Soviet delegation upon its arrival in China. It is also the national supply and marketing general cooperative that signed an agreement on commodity exchange with the Soviet delegation. (See Chung-yang Ho-tso Tung-shun, No 8, 1959, p.3.)

3. Use of "Commission Sale Stations" (Hang-chan) and "Small Traders and Peddlers"

The traditional institution of "commission sale stations" (commission merchant; carries on commercial transaction for traveling merchants, accomodates merchants, and stores merchandise) has not been abolished. A public-private joint operation, it is an important segment of socialist commercial enterprises. At present the number of commission sale stations throughout the nation is put at tens of thousands. They include various types of credit organs and farmers trade service centers of the elementary class markets in the country side (lowest level markets). Numerous privately operated commission sale stations have been remodeled and merged into trade

centers.

There is a section entitled "Some Problems concerning Commission Sale Stations and Trade Markets" in the "Report on Some Problems Concerning the Control of Urban Markets" by the Industry and Commerce Administrative Management Bureau" issued in August 1957 (State Council Bulletin, Kuo-wa Yuan Kung-pau, No 48, 1957). The Report points out that the state operated or public-private jointly operated commission sale stations in urban areas are playing an important role in helping farmers and peddlers, in expanding the circulation of commodities, in controlling supply and demand, and in limiting speculation in markets.

There are two types of commission sale stations, one specialized and the other comprehensive. Both types are held to be important. The specialized commission sale station deals in a single product such as fruit (there are four of this type of commission sale station in Tientsin), and the comprehensive commission sale station deals in a variety of goods.

The great leap forward in production in 1958 necessitated the overall expansion of the commodity circulation structure and various methods of purchasing and selling. The commission sale station is used as an agent for buying, selling, storing, and transporting. This institution is considered important as an enterprise providing services for socialist production.

It seems that this institution was converted into a service enterprise after the reform of 1957 to promote industrial and agricultural production rather than to collect service fees. It refrains from engaging in competition with normal commercial enterprises over commodities and markets, but rather proposes to carry on "gap filling" functions in order to assist in the fulfilling of national plans. This organ is expected to manifest versatility, variety, wide channels of communications, potentiality for prompt distribution, and simple processes within its framework as a service organ.

A few examples of the commission sale station are the Peiping Cooperative Goods Station, the Tientsin Native Products Corporation Credit Station, the Sha-shih Transportation Service Cooperative, the Su-chia-fou Combined Trade Center (72 various types of privately operated commission sale stations were merged to create this center), and farmers service departments in various other places.

After communalization, a policy of reviving Chi-chen [township] markets was adopted, and as a result there is

a demand for the strengthening of commission sale stations and farmers service departments. In Hupei province (See Takung-pao, 14 July 1959 issue) Kiangsi province. (See article by Wu Hsueh-chih, Chung-yang Ho-tso T'ung-hsun, No 7, 1959), steps are already being taken to do this.

In some areas, general stores operated jointly by the public and by private persons were absorbed into state operated commercial enterprises immediately prior to communalization. A survey team of the Ministry of Commerce of the State Council, reporting on the developments in Hsu-shui hsien, Hope's province, states that all the public-private jointly operated commercial enterprises were transformed into state operated commercial enterprises after communalization. (Chung-yang Ho-tso T'ung-hsun, Nov. 1958).

The reform of small traders and peddlers, who have played an important role in the privately operated commercial enterprises in rural areas, was nearly completed with economic progress and communalization. It was originally planned to organize the small traders and peddlers within the framework of cooperative stores and mutual aid teams and to let them act as agents for buying and selling, but this plan did not progress easily.

However, the situation changed rapidly with economic expansion and the extreme decline in the labor force in country side. Farmers could no longer afford to go to township markets. Therefore it was necessary to modify the commercial institutions. Thus the so called lower level expansion of the commercial network was called for. Small traders and peddlers therefore began to play new roles.

In certain areas, state operated basic level stores and supply and marketing cooperatives organized with small traders and peddlers "goods delivery battalions" to provide goods and materials needed in the countryside during busy periods. Supply and marketing cooperatives having increased the number of supply and marketing agents, thought out this ingenious way to combine this with the reform of small traders and peddlers. As a result stable and flexible elements were merged.

A total of 2,417 supply and marketing centers were established in Wan-hsien, Szechwan province, and thus each large agricultural producer cooperative had a supply and marketing center, and each small agricultural producer cooperative had an outdoor shop. Salesman visited almost every home. Salesman walked, climbed mountains, and visited villages and farmers' homes. They transported

merchandise during the day, and opened shops at night; transported merchandise in lonely places and opened transactions in lively places. They adopted, in other words, flexible selling methods, and received acclaim from the masses of farmers.

In connection with the merger of three cooperatives into one which took place in Hsin-hsiang hsien, Honan province or Sung hsien, Hopei province, we were told that small traders and peddlers were "properly placed" or "securely placed" in the course of the merger. It seems that these phrases refer to the kinds of reorganization described above. Minister of Finance LI Hsien-hien reported on his visits to Honan and Hopei provinces in September 1958 following the communalization, said, "small traders and peddlers are all but disappeared in areas where there used to be many of them; I did not see even a single small trader or peddler in the whole of Hsu-shui hsien, Hopei province (Hung-ch'i, No 10, 1958). We should translate this statement to mean that the small traders and peddlers do not exist in the forms they used to take.

The reorganization of small peddlers and traders is taking place under the leadership of the Party, and only those who have successfully gone through the process of ideological transformation are used.

4. Establishment of the Supply and Marketing Department and Food Department within a Commune

With communalization a major reorganization of the commodity circulation system in the country side has been largely accomplished. All commercial organs within hsien have been absorbed into the communes. Except those which served more than one commune, all state operated commercial enterprises, basic organs of food collection, rationing organs, public-private jointly operated stores, basic-level organs of supply and marketing cooperatives, supply and marketing departments of agricultural producer cooperatives, cooperative stores, and mutual aid teams within a commune were absorbed into and managed by the communes.

Although the administrative organization of commercial and food departments within a commune is different from place to place, there are generally four types of arrangements.

1. Establishing supply and marketing (or commerce)

food, and credit (monetary) departments under a commune management committee.

2. Establishing a finance-commerce department under the commune management committee, and establishing commerce (supply and marketing), food, finance, and monetary sections under the finance-commerce department.

3. Establishing a finance-economic committee under the commune management committee, and establishing supply and marketing (commerce) food, and credit (monetary) departments under the finance-economic committee.

4. Establishing only a supply and marketing department under the commune management committee, and creating an administrative organ dealing with food under the finance-monetary department.

These arrangements are to be made according to the needs of different localities. The functions of the supply and marketing (commerce) department of a commune are as follow. (See Survey Team, China People's University Trade and Economics Department, ed., "Commercial Activities after communalization," March 1959, p. 6):

1. To carry out the various policies of the state, thereby insuring the accomplishment of various national plans. Also, to carry out the plans of and to abide by the systems of statistics and finance of the commerce bureau in the hsien.

2. To collect and purchase agricultural and subsidiary products, native products, and discarded goods; to purchase goods according to assignments from the government; and to sell various goods produced in the commune.

3. To supply industrial and handicraft goods necessary for production and living in the commune, and to actively promote commerce within the commune.

4. To manage and supervise service enterprises such as restaurants, photo studios, and barber shops.

5. To supervise industries subsidiary to commercial enterprises and agricultural enterprises.

6. To control the market prices within the commune.

7. To conduct ideological orientation work for reformed merchants.

The functions of the food department of the commune are as follow:

1. To carry out the policies of the state concerning planned purchase and selling of foods; and to carry out the responsibilities for purchasing foods, vegetable oil, and grease for the state.

2. To store foods of the state and commune, and to supply foods.
3. To distribute foods within the commune, to control the flow of foods, and to supervise the procedures concerning foods.
4. To manage food and vegetable oil and grease processing industries within the commune.
5. To manage markets dealing with food and vegetable oil and grease; to prevent speculation in foods; and to carry out the policies of the state on the prices of foods.

The supply and marketing and food departments of a commune are the basic level organs of the state operated commercial enterprises. As composite elements they are the managerial units of a commune. Control over personnel and finance was transferred to the commune. As a result of two transfers, three mergers, and one guarantee, the amount of work entrusted to the commune is large. All the activities within a commune are controlled by the commune party committee and the commune management committee and the commune in turn must report to the hsien people's committee. The supply and marketing department and food department of a commune receive guidance on technical matters such as purchase and selling plans, and management from the commerce bureau and food bureau of the hsien. On the other hand, the hsien commerce bureau and food bureau are making efforts to train staff members of a commune and to improve their efficiency by means of exchanging views, inspections, and criticisms.

The members of state operated commercial organs transferred to a commune have become officials of the commune. All the capital, both fixed and movable, of these organs has been transferred to and is being used by communes. The decision concerning the reform of finance and trade management systems in rural areas in view of communalization, made jointly by the China Central Party Committee on 20 December 1958, stipulates the commercial functions of a commune. The following quotation from the decision merits our special attention:

"The purpose of transferring commercial organs in the countryside to people's communes is to facilitate unified control within the commune and to serve better the production needs of the commune and the consumption needs of the members of the commune, and not to make any commercial profit on the part of the commune."

Immediately following the absorption of basic level

organs of state operated commercial enterprises and supply and marketing co-operatives into people's communes, supply and marketing department or commerce department was newly established within the commune. For example, the structure of the supply and marketing department of the satellite people's commune in Sui-p'ing hsien, Honan province is as follows according to the seventh article of the provisional charter of the commune:

"A supply and marketing department will be established within the commune. It is the lowest organ of state operated commercial enterprises. The capital of the supply and marketing department will be taken out of higher class state operated commercial organs, and the wages of the employees will be paid by the commune. Profits made by the department shall be paid to state operated commercial organs. The commune may take out a prescribed portion of the profits. The commune must see to it that the supply and marketing department will carry out its share of planned purchases and unified purchases determined by the state, and that it will abide by the plan and systems of higher class state operated commercial organs. At the same time, the commune has the right to supervise the work of the supply and marketing department.

"The supply and marketing department shall establish supply and marketing branch departments in each production brigade, and establish stores, to be opened at meal times, in each common dining hall of small production teams. Although the supply and marketing branch department may set up its own system of calculation (accounts), the supply and marketing department will be responsible for the overall profit or loss. The funds necessary for the supply and marketing branch department may be met by the funds contributed by members of the commune to the former supply and marketing co-operatives. If the funds are insufficient the supply and marketing department will study means of raising funds. There will be no dividend on these funds.

"A supply and marketing department will join the Hsien supply and marketing cooperative as a member."

An alternate version of the seventh article of the provisionary charter was also made public. The text reads as follows:

"A supply and marketing department will be established within the commune. Under the guidance of state operated commercial enterprises, the department will deal with the sale of goods produced within the commune and the

purchase of goods needed by the commune. The basic work of the department will be to act as an agent of the state operated commercial enterprises in buying and selling. Prices for buying and selling set by state operated commercial organs must be strictly adhered to. The fee for selling and buying for state operated commercial enterprises should be set on the basis of expenses plus "slight" profit to be determined by state operated commercial organs. The goods remaining after the commune has accomplished its share of buying and selling prescribed by the state may be sold by the supply and marketing department within the commune. However, the amount of goods to be sold and their prices will be determined by state operated commercial organs. Minor products which the state can neither buy nor supply may be sold or bought from outside the commune with the approval of state operated commercial organs.

"The supply and marketing department shall carry on the system of independent accounting, but the commune as a whole will be responsible for profit or loss. The funds of the supply and marketing department may be transferred from the funds contributed by the members of the commune to the former supply and marketing cooperatives. If this is not enough, the commune will find the means of raising the funds. These funds will not carry dividends.

"The supply and marketing department shall establish supply and marketing branch departments in each production brigade and establish stores in fringe areas so as to serve the needs of the masses of the people. State operated commercial enterprises shall establish wholesale departments in appropriate places and thus gradually eliminate retail departments.

"The supply and marketing department will join hsien supply and marketing cooperative as a member."

We are not sure which one of these plans is better. However, we are of the opinion that something like the first version has been put into effect. It is our conjecture that the system of independent accounting practiced first only by the supply and marketing department, may have come to be adopted by the supply and marketing branch departments.

Let us now examine another concept of the role of the supply and marketing department as stipulated by the 51st and 53rd articles of the charter for the people's commune in Chi-li-ying, Hsing-cheng hsien, Honan province (Hsin-hua Pan-yueh K'ian, New China Bi-monthly Journal)

No 18, 1958, Japanese translation, Azia Keizai Jumbo, No. 375).

"A supply and marketing department will be established within a people's commune to sell and buy for the government. The purpose of the department is to promote industrial and agricultural production and construction and the material and cultural life of the members of the commune. It may engage in foreign trade with the permission of the state.

"The supply and marketing department (and credit department) shall carry on a system of independent accounting, and when a loss is incurred, the commune as a whole will be responsible."

This proposal is much more simple than the first example. However, it is similar to the second version of the charter of the satellite commune as far as its statement concerning the role of the supply and marketing department as a purchasing and selling agent of the state, but it differs from the plan for the satellite commune in that it may engage in foreign trade.

However, we may conjecture from the purpose of the joint decision of the China Party Central Committee and the State Council in December 1958 that the proposed supply and marketing department is not simply an agent of state operated commercial enterprises, but has the double nature of being the lowest organ of state operated enterprise as well as a component part of the commune. It is doubtful whether a supply and marketing department of a commune, as a local commercial organ, can directly carry on foreign trade. However, there seems to be a possibility that foreign trade will be carried on directly or indirectly at the initiative of a people's commune in the light of the allocation of foreign currency to local authorities in connection with the transfer of administrative authorities to local organs since January 1958, and also in view of the directive of the State Council in December 1958 to the effect that the credit department within a commune may deal in foreign money orders.

5. "Streamlining" Organizations under the Supply and Marketing Department

Commercial organs within a people's commune are placed under the control of the supply and marketing (commerce) department. It seems that there are variations among communes in the patterns of control of commercial organs

under the supply and marketing department in view of the existence of the system of three-level accounting. Communes in general have adopted the system of three-level accounting and the system of three-level ownership in terms of commune, production brigade, and small production unit. Problems concerning the extent to which the control over commercial organs should be "transferred downward" to the production brigade or production unit, and those concerning the advisability of adopting the system of three-level ownership and the system of three-level accounting have been studied. Various opinions have been expressed on these problems. Some flatly oppose the "transfer downward" of the control over commercial organs, while some others maintain that low-level commercial organs should be controlled and managed by production brigades and production units. Still others hold that only small commercial organs must be transferred downward, and large commercial organs should be controlled and managed by supply and marketing department of the commune. (See I Mu, "Can We Transfer Downward the Control over Commercial Organs within a Commune?", Chung-yang Ho-tso T'ung-hsun, No 5, 1959).

Now, let me cite one or two concrete examples. The Chi-li-ying people's commune in Hsing-hsiang hsien, Honan province took the following steps: General stores and five buying stations were merged, a commerce department was established, and an independent account was opened on the commune's funds. All commercial organs within the people's commune were placed under the control of the commerce department for unified guidance, management and accounting. All retail stores purchased commodities through the commerce department at retail prices, and sold them at prices uniform throughout the commune. All expenses and the losses from sale of commodities were born by the commerce department. (See Survey Team of the Ministry of Commerce, "Changes in the Commercial Work of Chi-li-ying Commune," Chung-yang Ho-tso T'ung-hsun, No 10, 1958.)

The people's commune in Kuangerh-kang-pei, Wu-ch'ing hsien, Hopei province established a supply and marketing department and a foodstuff warehouse as the main channels of commodity circulation. All 385 persons (0.34 percent of the entire population of the commune) formerly engaged in commercial activities were transferred to the commune at the time of the "downward transfer" of commercial organs. The supply and marketing department of the commune has an independent account, but the commune as a whole is responsible for profit or loss of

the department. The department is responsible for the administration of and the purchase of goods and sale of products for commercial organs within the commune. The department has three sections, namely, supply and marketing, finance-accounting, and personnel. A total of 20 persons are on the staff of the department.

There are 23 supply and marketing branch departments under production brigades within the K'uang-eh-kang-pei commune. These branch departments are under the control of both the production brigades and the supply and marketing department. Each branch department reports to the department but does not have an independent account. Four branch departments have warehouses, and one warehouse takes care of supplies for a number of branch departments. Orders from branch departments are combined by the warehouse and placed with the department. Goods thus purchased are first shipped to warehouses from which branch departments take their shares. Production units own a total of 142 supply and marketing service stations, controlled by both the production unit and the supply and marketing branch department. Funds for the service stations were transferred from the former supply and marketing cooperatives. The service stations purchase goods from the supply and marketing branch department in cash. "See Survey Team of the Ministry of Commerce, 'A Survey on the Changes in the Commercial Structure of a People's Commune,' Chung-yang Ho-tso T'ung-hsun, No 2, 1959).

(Note 1: The resolution adopted by the 8th Communist Party Congress on 16 August 16, 1959 calls for the establishment of different levels of management and accounting within a people's commune. Thus, the system of three-level division of the means of production was announced. According to the resolution, ownership by the production brigade (equivalent to the former control district) is basic. In other words ownership by the commune is partial (the commune owns the enterprises it is currently engaged in, and collects a certain amount of accumulated funds from production brigades each year); the production unit is believed to have part ownership, small though the amount may be. The author was told in Peiping that the goods owned by production brigades include land, livestock, and farm implements; those owned by commune include forest, grazing land, dams, tractor stations, and factories; those owned by production units include products of handicraft industries carried on in individual households and production encouragement funds.)

II. Commodity Circulation Routes and Price System in Rural Areas after Communalization

1. "Self-Supplying" Production and Commodity Production within a Commune

The turnover of agricultural and subsidiary [side jobs of farmers] products for commercial goods used to be very slight in China. According to an article by Ho Sheng in Hung ch'i, No 14, 1958, entitled "Production of Commodities in China Today," only about one third of the total agricultural and subsidiary product have been offered for sale each year. A large portion of products offered for sale by farmers were purchased by other farmers; thus, agricultural and subsidiary goods were circulated among the farmers. Little more than one half of the agricultural and subsidiary products were exchanged for industrial products. It is the policy of the government to develop both production aimed at self-sufficiency and production of commercial goods [for exchange for industrial products] in the countryside. It seems that the rate of the growth the production of agricultural and subsidiary goods for sale will be greater than that aimed at self-sufficiency.

It seems that production aimed at self-sufficiency has increased temporarily in various areas since communalization. Reporting on his visits to Honan and Hopei provinces, Finance Minister Li Hsien-nien in Hung Ch'i, No. 10, 1958, reported that "direct distribution of products has increased, while the rate of commodity exchange has declined." Also, a report by a survey team of the Ministry of Commerce of the State Council on Hsu-sui hsien, Hopei province and An-kuo hsien, Honan province pointed out that "the extent of planned distribution and exchanges within a commune has increased and the sphere of commodity circulation within a commune has shrunk." (Chung-yang Ho-tso T'ung-hsun, No. 11, 1958).

However, there was the tendency at that time to treat as commodities only those products designed for sale outside the commune, and not those exchanged within a commune. For this reason, we have to check the accuracy of statements appearing in various reports to the effect that the proportion of commodity production has declined. In fact, there were many instances where products were given out freely presumably to achieve self-sufficiency; prior to the communalization they would be sold as

commodities. We can assume that there was the tendency to consume commodities within a production unit. Production unit might have thought that they would prefer to consume their own products than to give them out without compensation.

Therefore, the 8th session of the 6th Party Congress on 10 December 1958, in its resolution concerning a number of problems confronting the people's communes emphasized the necessity of commodity production and circulation. The Congress went on to point out that the development of commodity production, along with the principle of distribution according to labor, is one of the two basic principles and problems of building a socialist economy. About the time that this resolution was adopted, many articles stressing the importance of expanding commodity production within communes appeared in newspapers and magazines. As a result of this enlightenment and propaganda work, the idea that commune is not an economically self-sufficient unit was driven home to the general public.

Since communes are trying to develop mining, forestry, livestock, and fishery industries as well as agriculture and its subsidiary industries, it is very likely that the demand for the means of production and for consumer goods will increase. It is obvious that there will be a corresponding increase in the demand for commodities to be exchanged for products of the above mentioned industries and that commodity circulation will expand.

The living standard of the Chinese farmers is very low. According to an article by Hsueh Mu-ch'iao entitled "Some Views on Commodity Production and Price Theory" carried by Ching-chi Yen-chiu, Economic Research, No. 1, 1959, the per capital annual product of a farmer amounts to only 200 Yuan. Moreover, production of foodstuffs accounts for more than a half of the entire production of agricultural and subsidiary industries and forestry, livestock, fishery industries. Most foodstuffs are intended for self-consumption, while other products are for sale. It is very likely that the production of foodstuffs will increase, but the production of other goods will increase at a higher rate. Communes will develop industries, but industrial products will be mostly for sale and thus only small portion of them will be consumed within the commune where they were produced. If the income of the commune in various categories of products increases in the years to come, the proportion of income from foodstuff will be about a quarter or less

than the income from all products. Thus, it is clear that the proportion of marketable goods among the products of communes will increase.

The same theory holds from the consumption aspect. According to the previously cited article by Hsueh Mu-Ch'iao, expenses for foods account for two thirds of more of the entire income of farmers in China, and expenses for grains account for more than two thirds of the expenses for all types of foods. This means that the main portion of the living expenses of farmers is devoted to staple foods. With the increase in living standards, however, there is a possibility that expenses for food, particularly staple foods, will decrease proportionally. There is the possibility that the proportion of expenses for staple foods will be less than one quarter of all expenses for foods in a few years. In that case, farmers must pay for goods other than staple foods or foods in general. The resolution of the 6th Party Congress pointed out that "commune must try to increase the wages of its members, and attempts must be made to increase the wages faster than the increase in the income of the farmers under the system of supply." This shows that the production of goods for exchange among consumer goods [sic] will increase.

The above discussion indicated that in the years to come, not only the absolute quantity of commodities but also the ratio of commodity production to production aimed at self-sufficiency will increase. This view, of course, rests upon the assumption that the relations of production will not change.²

(Note 2: It is necessary at this point to define commodity production. It means producing utility values or socially useful values for the consumption of others. It assumes that the goods will be transferred to others under the principle of exchanging equal values. Commodity is a product which is transferred from producer to consumer when the buyer offers values equivalent to the amount of labor which went into the good being exchanged. However, there is a theory that a good exchanged without the transfer of ownership is not a commodity. This theory, according to Stalin, applies to a society where the institution of private ownership exists but not to a society where socialism exists. Under capitalism an owner of a commodity, (i.e. a person who has won ownership to a good) may consume or destroy the good, but under socialism or in a people's commune it is not permitted to "spoil" goods deliberately. Also there is a regulation in a Party and State Council joint decision (decision,

adopted on 20 December 1958, concerning the improvement of finance and trade control systems in the countryside in view of communalization) prohibiting the sale of goods purchased by a commune from state operated commercial enterprises outside the commune.

It is not proper to attribute the necessity of producing commodities under socialism to "two basic structures" of socialist ownership (ownership by all people equals ownership by the state, and ownership by the group equals ownership by communes). The commodity relationship is essential to a socialist economy, and the relationship also holds among various enterprises owned by the state. The commodity relationship among state owned enterprises indicates the most advanced type of socialist commodity relationship. The economic transactions among state owned enterprises carried out on the basis of exchange of commodities are the ideal pattern of exchange of commodities under socialism. They also show the most highly planned relationship.

Production of commodities is a structure of social relations (Lenin). Commodity relationship Trade in commodities cover the entire socialist economy, and will not be confined to one sector, for instance, to state operated enterprises. It is also inconceivable that the system of supply state supplied rather than traded will be so widespread as to discourage the production of goods for exchange within a commune. The commodity production will develop further in the future and will contribute to the expansion and reproduction of the relationships of socialist production [sic], to the process of transferring to communistic production relationships, and to ultimately preparing for their own elimination.) [End of author's note]

Production of commodities under socialistic China can be classified into five parts as follows:

- 1) Commodity relationships among the units of independent accounting within the state-owned economic sector.
- 2) Commodity relationship among production brigades and other units of independent accounting within a commune.
- 3) Commodity relationship between commune and production brigades and state operated enterprises. In this case, the state operated enterprises include basic-level organs of foodstuff departments, commerce departments, people's banks, etc.
- 4) Two aspects of the socialist ownership, i.e.

commodity relationships contributing to the conversion of consumer goods from the ownership of state operated enterprises and commune (including production brigade) to private ownership.

5) Commodity relationship arising but of the movement of consumer goods owned by individuals, i.e. commodity relationships characterized by the direct transfer of subsidiary agricultural products from one individual to another.

Now, let me explain the commodity circulation routes involving people's communes.

2. Commodity Transaction and Price Within Commune

The commodity relationship within a commune are highly planned. Within a commune, each production brigade and enterprise managed by the commune keeps an independent account, and commodity transactions take place among production brigades and enterprises. Since commodities brought in from outside the commune represent transactions take place among production brigades and enterprises. Since commodities brought in from outside the commune represent transactions with the state we will not discuss them here, but in what follows we wish to find out to what extent the goods produced in a commune were sold or consumed.

A report of a survey by a team from the People's University, conducted on the Chou-chuang people's commune in Chiang-yin hsien, Kiangsu province, and published in Chiao-hsueh Yen-chin, Education and Research No. 2, 1959, showed that 48 percent of the entire agricultural product of the commune in 1958 was retained by the commune for use as seeds, for emergency use, etc. The people of the commune used 37 percents of the entire agricultural product as food for themselves and for domestic animals; 54 percent of the entire product of subsidiary occupations of the farmers was consumed within the commune. Between January and September, 1958 (prior to the communalization) 6 percent of the industrial goods produced within the commune were sold within the commune, while the rate increased to 13 percent between October and December 1958, a period following the communalization. According to a report on a survey of the Li-shan people's commune in Fu-yang hsien, Chekiang province conducted jointly by the Shanghai Economic Research Institute of the China

Academy of Science and the Economic Research Institute of the Shanghai Academy of Social Sciences (Ching-chi Ten-chiu, Economic Research No. 6, 1959), 54 percent of the entire product of the commune in 1958 was consumed within the commune. The product consumed within the commune included consumption by production brigades of their own products, which were not traded as commodities.

According to the report on the Li-shan people's commune, the commodities exchanged among production brigades include food-stuffs, seeds, bamboo, brushwood, mulberry trees, bricks, lime, fruits; the exchange of goods between production brigades and factories took the form of the sale of raw materials from production brigades to factories and the sale of finished goods in reverse. Exchange of goods between production brigades took place only after they had completed their shares of the contribution to the state. The transactions are arranged by two production brigades through negotiations, but the resultant contracts are controlled by the commune. There seem to be comparatively normal transactions between production brigades and factories owned by the commune. It is also likely that there are long term contracts on the basis of the commune's plans on the assignment of production.

There are not many transactions between production brigades because of the similarity of goods produced by production brigades in a commune. Li-ming control district, a production brigade of the Li-shan people's commune, sold only three percent of its entire product in 1958 to other production brigades within the commune. On the other hand, the volume of trade between production brigades and factories is large. This is because the factories serve enterprises within a commune. Factories within the Li-shan people's commune sold to production brigades in the same commune the following percentages of their total outputs: electric fans 30 percent; steel-ball 50 percent; bearings 30 percent; "bushing" 28 percent; screws, 50 percent; machine products 30 percent; and farm implements made of iron 90 percent.

Commodity transactions within a commune were carried on on the bases of cash payment or credit payment on accounts established in the credit department of a commune. In addition to cash payment, various other methods of transaction including advance payment of fees [sic] and contract purchases.

In the Li-shan people's commune, prices of products

sold by production brigades were those set by the government, but price differentiation exist among districts. [Ti-ch'u]. People's communes in various parts of Henan province adhered to prices set by the government when production brigades sold their products for "productive" consumption within their own communes. Commodities produced by factories operated by communes for the purpose of "productive" consumption were sold at price set by the factories.

However, in Henan province, in many cases price differentiation on the basis of areas within a commune was abolished, and a uniform system of prices was established in many communes. (Ts'ao Hung-yeh et al, Survey Team of Trade and Economics Department, People's University, "Commercial Work after Communalization," January 1959).

Many small factories belonging to production brigades do not have independent account. Most of their products are not sold as commodities but offered for consumption within the production brigade. For example, the people's commune in Ho-shang-ch'iao, Chang-kuo hsien, Henan province, products made by factories belonging to production brigades were considered a part of agricultural products and therefore included in the account of agricultural products. They are also considered as costs of producing agricultural goods.

On the other hand, there are some factories operated by production brigades which keep independent accounts. According to a survey conducted in Chkiang province and referred to previously, a production brigade called Kuang-ming control district in a people's commune in Fu-yang hsien operated a lime factory for fertilizer and paper manufacturing, and distributed its products by means of sale to small production units and to a production unit dealing exclusively with paper. In other words, the lime factory has kept an independent account, set the prices of products, and sold them to small production units within the production brigade.

As we have shown, the prices of commodities circulated within a commune differ from place to place. However, the prices will be leveled off as a result of the rectification work. The system of uniform prices throughout a commune in Henan province was changed.

The third edition of the report by the People's University referred to above (the third edition came out in March 1959), in its preface points out that price differentiation according to districts within a

commune must be made after rectification work. However, it is not required that those communes which have abolished the price differentiation system return to the old system. The abolishment of price differentiation within a commune is permitted on products which are expensive but cost little for shipment within the commune.

Also, it is pointed out that the authority of communes to control prices must be modified in view of the necessity of planning like a "chess board" (planning from the perspective of the national interests) and because of the special nature of price mechanism. In other words, the authority to control prices is to be concentrated in the hands of hsien and not to be "transferred downward" to communes. It is said that the methods of control on hsien level may be diverse. This means that hsien-level organs may set prices, set the general standards [sic], and approve or disapprove suggestions from people's communes.

3. System of Contract between Commune and State

Since a people's commune is a unified economic unit it is usually believed that transactions in commodities between a commune and the state and other communes take place only through the supply and marketing department or the foodstuffs department. In reality, however, on many occasions production brigades contact outside and conclude contracts. In these cases, the commune follows up negotiations and gives consent to the contract. When a commune is under contract with the state to sell certain goods, the commune must conclude a contract with a production brigade to buy them. The production brigade in turn will have to get the assurance from small production units as to the fulfilment of the contract. This process of concluding contracts "downward" to insure the completion of collection is called Lo-shih (in another sense Lo-shih means streamlining and working out the details of plans in the light of reality).

Since the degree of comprehensiveness attained in commodity transactions among enterprises operated by the state cannot be attained in the commodity exchange between communes and the state, the contract system has been adopted to increase the comprehensiveness of planning. The joint decision of the Party and State Council of 20 December 1958 explains the importance of the contract system as follows:

"The expansion of the contract system is an important

means of increasing the comprehensiveness of the planning of people's communes. Since the commune is a large comprehensive economic organization of itself, it requires a high degree of planning and organization. There is a need for the commune to control the labor force, financial resources, production, and consumption within the commune. It is certain that those economic activities covered by plans will be accomplished, but there is no certainty as to the economic activities not covered by them. From now on efforts must be made to stipulate by contract the kinds and amount of goods to be sold by a commune to the state, the kinds and amount of goods to be supplied by the state to the commune, the specifications of the goods, and the date of delivery; these stipulations being in addition to the responsibilities and goals of the commune determined by state plans concerning sale and purchase of commodities. Once a contract is concluded, both parties must guarantee its fulfillment. The system of contract is an important means of providing "systematic leadership" to communes by the state. The system of contract brings together the plans of the state and the commune. It will remain an important means of integrating the state and the communes in commercial matters. The establishment of the commune strengthens planning and the realization of the system of contract. To expand this kind of system is one of the most important tasks in the field of commerce."

Pursuant to the joint decision of the Party and State Council directing the establishment of the system of contract, a meeting of those in charge of the agriculture and commerce departments in provinces, cities, and self-governing districts was held in Peiping on 16 January 1959. They signed a protocol concerning the sale of major agricultural and subsidiary products in 1959. The protocol served as a basis for contracts between each commune and the commercial organs [of the state] in its locality. Thereafter, a movement for concluding contracts on production and sale swiftly spread through the successive stages of central government to province, province to hsien, hsien to commune, and commune to production brigades. By 20 February 1959 nearly 30,000 contracts of various kinds were signed in Honan province. Various commercial organs within the province sent more than 7,500 staff members to give advice and assistance in developing various industries and subsidiary industries in various communes. The commercial organs encouraged "multiple management" of the industries within a commune [multiple management seems to mean diversified management].

As of 8 July 1959 the system of carrying on sale and purchase by contract had been practiced in 58 cities and hsien in Kwangtung province. More than 21,000 contracts involving more than 650,000,000 yuan were concluded between commercial organs [of the state] and communes and between production brigades, involving agricultural and subsidiary industries and native products. The system of contract stimulates the management of a commune from many angles and stimulates the diversification of commodities. The Lung-t'ien people's commune in Hsingning hsien produced 32 new kinds of commodities, resumed the production of 18 kinds of commodities, and increased the production of 56 kinds of goods since it had signed contracts with commercial organs.

4. Prices of Commodities in Transactions between Commune and State

In addition to the system of purchasing goods from communes on contract, the state sometimes assigns production quotas to communes. Communes carry on transactions with the state through the commerce bureau and food bureau of the hsien, or through the supply and marketing cooperative of hsien or ch'u. The communes also trade with industrial or health organs or with state monopoly corporations (it seems that this organization still exists as a corporation) dealing, for example, in liquor.

When a commune sells to the state, it must adhere to the prices set by the state. According to the survey report by the People's University referred to earlier, two methods of fixing sale prices were practiced in Honan province.

First, to adopt the prices applied when basic-level commercial organs in the countryside made delivery of goods to hsien-level commercial organs. These prices are applied when the supply and marketing department of a commune sells goods to the state. These prices are slightly higher than the prices set by the government.

Second, to apply the conventional official prices. In this case, a certain amount of commission was paid to the supply and marketing department of a commune depending upon the difficulty of handling the goods, the wear and damage on goods, and the inadequacy of prices. The commission generally amounted to 2 to 3 percent. At the same time, the state operated commercial organs on the hsien level paid the expenses incurred in the process of packing, processing, and storage.

It is said that the latter method is better in dealing with the collection and shipment of small amounts of subsidiary products and waste goods. The possibility of adopting a rational price conducive to the development of industries within a commune is studied for industrial goods produced within the commune.

(Note 3: The prices at which the state purchases goods from communes are determined primarily on the basis of conventional prices. The prices of foodstuff, for example, are determined with reference to the price range over a period of time and also with a view to the maintenance of a proper relationship with the prices of industrial products. In determining the price of cotton, the "historical" price/price which prevailed over a certain period of time/is taken into consideration, but at the same time attempts are made to achieve a balance between the cotton price and the prices of foodstuffs in general. The difference between sale price and purchase price is very slight.

The prices of foods distributed to farmers suffering from a lack of foods are calculated on the basis of adding to the purchase price the administrative expenses, depreciation for storage, and taxes. The sale price of foods distributed to such farmers is only eight percent higher than the price at which the government made the purchase from communes. Both prices remain constant for a year. (Yao I-lin, "Commerce during the Past Ten Years," Jen-min-jih-pao, 28 September 1959.) (End of note 3.)

The prices of goods purchased by communes from the state are determined as follows:

a) Means of Production

The means of production distributed by the state to the communes are classified as goods and materials for uniform distribution. Prior to the establishment of the communes, the means of agricultural production such as farm implements, agricultural medicines, and chemical fertilizers were first rationed by state organs dealing with the distribution of materials and goods to state commercial organs at the price of "procurement". They were in turn sold by state operated basic-level commercial organs to agricultural producer cooperatives at the price of delivery (no distinction was made between wholesale or retail price).

Bulky means of production and key raw materials needed by industrial enterprises and handicraft producer

cooperatives were distributed by the state operated organs dealing with the distribution of goods and materials directly to those enterprises and cooperatives at the price of procurement. Small-sized means of production, raw materials, and fuel were distributed by state commercial organs at official wholesale prices. Although industrial enterprises and handicraft producer cooperatives have been absorbed into communes, the prices of means of production sold by the state have not been settled. Thus, there are three types of prices, namely procurement price, delivery price, and wholesale price. If the system of independent accounting for each production unit within a commune is to be maintained, these inconsistent prices must be modified.

The editors of the previously cited report filed by a survey team of the People's University expressed the view that all the goods and materials distributed uniformly by the state--agricultural as well as industrial goods and materials--should be sold at the price of procurement and the cost of shipping should be added when they are sold by state commercial organs.

On the contrary it is believed to be better to apply official prices to small size means of production and raw materials because they are being distributed through the channels of local commercial organs. Since industrial products necessary for daily living are purchased by the supply and marketing department of a commune from hsien commercial organs and sold in retail stores within the commune, the prices of procurement applied previously to industrial products supplied by hsien commercial organs to basic-level commercial organs cease to be useful. In many communes in Honan province, industrial products supplied by hsien commercial organs to supply and marketing departments of communes are being sold generally at whole-same prices. The supply and marketing departments of communes must sell products to members of communes at the retail prices set by the state. Communes have no authority to change the prices set by the state, but may express their views on what they believe to be "irrational" prices.

There are some products traded between communes to which official prices apply. These products include lime and brick. On such products as raw materials for side jobs of farmers, prices are settled by mutual consultation.

5. The Opening of Various Levels of Meetings for Exchange of Goods and Materials

The Ministry of Commerce has adopted the policy

of reopening various levels of meetings for exchange of goods and materials (sample markets) in various places.

The Ministry prepared a "Report concerning the Promotion of the Exchange of Goods and Materials between Rural and Urban Areas by Means of Various Levels of Meetings for Exchange of Goods and Materials," and received the approval of the State Council on 18 March 1959. The Ministry has ordered that the plans be put into effect. The report states as follows:

"The meeting for exchange of goods and materials used to be an effective way of promoting commodity circulation.. The meeting for the exchange of goods and materials we are about to open is based upon our past experience, and representatives of the three areas of production, circulation, and consumption participate in the meetings. They sign bilateral or multi-lateral contracts uniting production, consumption, and planning in various fields. Thus, through contracts, people's communes can plan production, mobilize labor force, develop multiple management, plan for the procurement of goods and materials necessary for production and daily living and insure the supply of raw materials to industrial and handicraft industry sectors.

Goods and materials under the First Category, controlled by the state, are not allowed to be exchanged because it might disrupt state planning. However, those goods and materials under the Second Category, on which the principle of supplying balanced amounts /See Section III/ is applied, may be exchanged after the export and other quotas are met.

The meetings for exchange of goods and materials are being held on various levels such as national, cooperative district, province or self-governing district, municipality, and hsien.

The meetings for exchange of goods and materials are held twice annually; in spring production efforts are coordinated on the basis of the required amounts of delivery determined by contracts; in the fall, the extent to which the terms of the contracts have been carried out during the first half of the year is reviewed, and attempts are made to supplement the contracts and to insure the fulfilment of the terms of contracts."

According to the 9 September 1959 issue of Ta-kung-pao, numerous meetings for exchange of goods and materials falling under the three categories were held throughout the nation according to the directive of the Ministry of Commerce mentioned above. According to an incomplete

tabulation, 22 provinces and cities, 53 self-governing districts, 518 hsien, and 1,769 people's communes held the meetings on various levels during the first half of 1959. Also, many production brigades held meetings.

At meetings for exchange of goods and materials held in 10 provinces including Honan Shanhsi out of 22 provinces in China, more than 37,900 contracts amounting to 1,738,000,000 Yuan were signed. This amount surpasses the volume of the sale by commercial organs prior to the initiation of the system of contract.

The goods and materials belonging to the Third Category are mainly the products of local industries and various enterprises operated by communes. Because of the contracts signed at meetings for exchange of goods and materials the production of these goods is not only embraced indirectly by national planning, but also was invigorated by contracts. As a result of adopting the system of contracts, the number of products manufactured by local industries in Hua-lung hsien in Ch'ing-hai province reached 61 including 34 products newly produced after the system of contract was adopted. The communes and production brigades in Nan-t'ung hsien, Kiangsu province arranged through the meetings for exchange of goods and materials for the production of 304 kinds of commodities, and added 193 kinds of commodities to the number of commodities originally planned to be produced.

With the increase in production and the increase in the sale of commodities, the income of members of communes and production brigades has increased. The Pei-shan people's commune in Hu-chu hsien, Ch'ing-hai province has increased the production of agricultural and subsidiary products, and native and special products to such an extent that there is a prospect that the per capita income of the members in 1959 will be increased by 55 Yuan.

6. Commodity Relations between Commune-Production Brigades and Individuals and Between Individuals

Members of communes buy hoes and picks from factories managed by communes, eat at restaurants run by communes, and purchase daily necessities and subsidiary foods from the stores operated by the supply and marketing department or production brigades within communes. On the other hand, they sell chickens, sandals and brooms to communes and production brigades. Sometimes, these transactions take place through the media of small

traders and peddlers.

The trading of daily necessities between communes and production brigades is in reality nothing but the exchange of commodities between the state and members of communes. There is also trading of products of subsidiary occupations among individual members. This takes place primarily in farmers' trading markets supervised by the state.

These transactions follow in general the principle of cash settlement. Prices of goods traded are negotiated by buyers and sellers by taking into consideration the prices fixed by the state. In this case the minimum prices may not be less than the purchase prices of the state and the maximum prices not higher than the retail prices of the state. (See Ching-chi Yen-chiu, No. 6, 1959, a survey in Fu-yang hsien, Chekiang province.

[Full title of the article appears in Part I, Section 27]

Instead of the prices set by the state (p'ai-chia), there are some instances of establishing a price range (Fu-tu chia), and standard price (chih-tao chia). (Meetings for Exchange of Agricultural Goods and Materials in Chien-ou hsien, Fukien province, Chung-yang Ho-tso T'ung-hsun, No. 6, 1959). The range of price set for goods bearing direct relation to production, such as seedlings and chickens is wide and the range of price for goods which cannot be increased rapidly, such as bamboo shoots is narrow. ("Active Trading at Periodical Markets Using the Old Market in Yu-Ch'i hsien, Fukien province," Takung-pao, 28 July 1959).

The government has the adopted policy of developing farmers' exchange markets, and under this policy, the Chi-shih [the collective markets or farmers' markets] which had been in existence in the countryside for a long time, were revived.

Although it is said that this is not a revival of a capitalistic free market, it may be worthwhile to find out how this market differs from the free markets which were opened sporadically to supplement socialist unified markets or "state markets," and which later faded away after communalization.

Only once recently was the revival or establishment of "free markets under the surveillance of the state" mentioned in a statement by Minister of Finance and Trade Hu, made in the course of a telephone conference of a Hupei provincial party committee as reported in Ta-kung-pao on 20 July 1959. All others state that free markets have faded away and that the farmers' markets now revived

are a component part of socialistic unified markets. The author is of the opinion that the former free market was analogous to the Soviet Kolkhoz market, and the present farmers' exchange market is more highly organized and planned than the former free market.

The Party Central Committee and the State Council on 23 September 1959 issued a directive concerning the organization of Chi-shih in the countryside. The following excerpts from the directive explains the role of farmers' exchange markets:

"With the unceasing progress in industrial and agricultural production and the increase in the total purchasing power, the demands for daily necessities on the part of both the rural and urban populations have increased. In order to comply with the expansion of production and the necessities arising from a high standard of living, the government commercial organs are trying to organize extensively procurement and supply, to open various levels of meetings for exchange of goods and materials, to organize and supervise actively farmers' markets (Chi-shih), to help coordinate the exchange of commodities among members of communes, to facilitate the exchange of goods and materials between urban and rural areas, to stimulate multiple diversified management of communes, and to invigorate the rural economy.

"The principle of organization and leadership over farmers' markets is to stimulate without disturbing order and to control without destroying. In order to carry out this principle correctly and thoroughly, we must conduct propaganda work among the staff and the masses on economic policies, and let staff members of basic-level organs realize the fact that the farmers' markets is a component part of the socialistic unified market. The farmers' markets will be beneficial to the expansion of agricultural-subsidary industries and to the handicraft industry; they will be convenient to the organization of short distance transportation, and will facilitate the control of market prices. They will also help the exchange and coordination of commodities among people's communes and production brigades, and among members of communes. At the same time they will help commercial organs develop new sources of commodities. People's communes and production brigades must provide necessary support to farmers exchange markets; teach pertinent economic policies to members of communes; assure fair trade practices; and prohibit illegitimate price increases, hunting for sales, peddling, and giving up farming for commerce.

"In opening farmers' markets, regulations concerning the scope of commodities and their prices within the markets are formulated in order to gain experience and to prevent confusion so that a steady and healthy progress can be made.

"The following are specifications to be followed in organizing farmers' markets:

"1. The Scope of Commodities to Participate in Chi-shih Trade

People's communes and production brigades must guarantee the fulfillment of the sale of First Category Goods and Materials and the Second Category Goods and Materials as specified by the state. (The First Category goods and materials are those purchased and delivered according to national plans; the Second Category goods and materials are those purchased by the state to achieve economic balance [See Part III]). Goods and materials left after the quota set by the state is fulfilled may be offered for sale in farmers' markets. However, if the state needs them, they must be sold to state operated commercial enterprises.

The people's committees of provinces, self-governing districts, and municipalities may determine the kinds of commodities to be traded, the time of opening markets, and the place of markets.

People's communes, production brigades, and members of communes must guarantee the delivery of goods and materials falling under the Third Category to the extent that they are covered by orders from the government or contracts between the state and people's communes, production brigades, and members of communes. The surplus goods and materials-- those remaining after the requirements covered by state orders and contracts are fulfilled--may be traded in farmers' markets. Minor goods not covered by contracts with the state may be sold by people's communes and production brigades at farmers' markets.

"The products of subsidiary occupations and handicraft products made by families and individual members of people's communes may be sold at farmers' markets without respect to whether they fall under the three categories.

On some goods and materials falling under the First and Second Categories (such as pork) people's committees on provincial, self-governing district, and municipality levels may, in the light of market conditions and national necessity, stipulate definite definite amounts to be sold by members of people's communes. In this case, members of people's communes must guarantee the fulfillment of

the duty to deliver goods specified by the state.

"2. Problems Concerning Prices at Farmers' Markets (Chi-shih)

The prices at Chi-shih must be controlled in order to promote multiple management and the stabilization of market prices under the principle of collective leadership and control in separate classes. Prices of various commodities shall be controlled according to the following stipulations:

a. When people's communes, production brigades, and members of communes sell goods and materials falling under the First and Second Categories, must follow the official prices fixed by the state.

b. When people's communes, production brigades, and members of communes sell goods and materials belonging to the Third Category the government policies concerning the control of market prices must be followed. Government controls on market prices of Third Category goods and materials will differ according to the kind of goods. Major commodities under the Third Category must be traded in the light of official prices set by the state. For a number of commodities government organs in charge will stipulate the maximum and minimum prices pursuant to their authority to control prices of goods. For many minor items prices are fixed through fair negotiations between the trading parties under the leadership of the market control committee.

"Market prices are a concrete manifestation of the relations of distribution between the economy characterized by group ownership and the economy characterized by collective ownership by all people. Prices are directly related to building up national power and to the life of the people. Therefore, the stability of market prices must be maintained. Prior to communalization, the prices of goods and materials under the Third Category were generally speaking rational and they were not changed unless there were compelling reasons for doing so.

When prices of certain goods and materials increase as a result of the excess of demand over supply, control must be strengthened, hunting for sales must be prohibited, the system of setting prices through negotiations must be enforced, and the sources of commodities [sic] must be distributed. If, on the contrary, prices suddenly drop too low as a result of an excess of supply over demand, commercial organs in charge may increase prices.

3. Market Form of Trading in the Countryside

The form of market to carry on trade in countryside helps production, satisfies the need for sale and purchase on the part of members of commune, and is based on the principle of saving time for members of communes. The forms of markets must be adapted to the changing patterns of economic life of the people since the communalization and to the physical conditions of the particular locality. The dates markets are open shall coincide with the official holidays, festive days, and local customs. Small size meetings for exchange of goods and materials which meet irregularly (on festive days of shrines), permanent trade centers such as commission sales referred to earlier /Part I, section 3/ and farmers' service stations may continue to exist.

4. Participants in Chi-shih Trade

Communes, production brigades, members of communes, and state operated commercial enterprises participate in the trading at the Chi-shih. Communes, production brigades, and members of communes shall not trade commodities or open stores.

The raw materials and equipment needed by industrial enterprises and handicraft producer cooperatives belonging to communes and those of their products falling under the First and Second Categories must be purchased or sold in bulk by commercial organs designated by the state, and they shall not be bought or sold at markets. With the consent of the authorities controlling markets they may obtain permission to purchase certain raw materials, equipment or to sell certain products. In this case the transactions must follow the purchase and sale prices set by the state.

"Sales agents from factories, mines, enterprises, organs, and organizations from outside the commune must bring letters of introduction from officials of commercial and industrial administrative organs on a level higher than the hsien, and must obtain ratification from the authorities controlling markets before engaging in transactions. In other words, sales agents must bring letters of introduction from their organizations and must obtain consent from the authorities controlling markets in order to participate in trading. These sales agents must abide by the rules governing the markets in which they propose to make transactions.

"Small traders and peddlers organized by state

operated commercial enterprises may trade in farmers' markets, trade from village to village, and may try to obtain reasonable profits by taking advantage of price differences from one locality to another within the areas authorized. However, they are not allowed to trade in remote areas, and to obtain speculative profits by acting as middlemen in sales within a farmers' market. Also, they must observe strictly the regulations governing the markets.

5. Strengthening Leadership and Control over Farmers Markets

In order to strengthen leadership and control over farmers' markets, attempts must be made to coordinate market trade and meetings for exchange of goods and materials within communes. As far as organization of the markets is concerned, market control committees shall be established in hsien and chen under the leadership of hsien, chen, and commune party committees. In the areas where there are already market control committees efforts must be made to strengthen them. The localities without market control committees must establish them. The market control committee draws its members from commercial, foodstuff, banking, taxation, industrial, and agricultural fields. The committee shall have a person who will be in charge of dealing with routine matters on a permanent basis so as to improve the organization of the transactions within the market.

"The responsibilities of the market control committee include: to carry out fully national policies and rules governing market control, to supervise the enforcement of policies concerning prices, to insure that trading is within the bounds of law, to lead market trading, to establish various kinds of meetings for exchange of goods and materials, to supervise trade centers and service centers, to control all illegal activities within the market, and to settle various problems arising in the market."

Part III. The System of Controlling Commodities in Three Categories

Although I trust that the preceding chapters have thrown some light upon the system of controlling commodities in three categories -- which has been practiced

in China for some time -- I would like to explain it in greater detail by giving names of commodities.

On 19 November 1958 the State Council issued a directive concerning the system of controlling commodities such as agricultural-subsidiary products, foodstuff, livestock products, silk and cotton products, and classified them into three categories. The directive divided commodities into three categories thus: those important commodities to be controlled by the state, those commodities which are distributed by the state to balance out local surpluses and needs, and those goods which are to be controlled by local organs and which may be controlled by the Ministry of Commerce when necessary.

This directive was adopted in the spirit of the reform of structure (refers to the decentralization of the authorities to control commercial affairs) in order to translate into concrete reality the principles of unified leadership and control on different levels, to allow the expression of local enthusiasm, and to strengthen commercial work on various levels of commercial organs.

At a meeting of provincial and city party committee secretaries called by the Party Central Committee on 25 January 1959, Li Fu-ch'un, Li Hsien-nien, and Po I-p'o reported on conditions of markets and problems concerning light industry. In the reports, they expressed the view that commodities throughout the nation must be divided into three categories for the purpose of control and to carry out the principle of making "chess board like" planning in commercial affairs. On the basis of this report six ministries dealing with commodities, namely, Commerce, Foodstuffs, Foreign Trade, Health, Aquatic Products, Light Industry, submitted to the State Council plans for controlling various commodities and lists of goods to be controlled. Approval on these plans was granted on 12 February 1959.

According to this report the commodities covered by the first category include commodities vital to the state and the people. The State Council controls the purchase, sale, procurement, import, export, and storage of these commodities. Under this category there are 38 kinds of commodities, including foodstuffs, edible vegetable oils and fat, cotton, cotton sheets, gasoline, and copper.

Under the second category are important commodities which are produced in limited places but demanded by many and those commodities produced in places widely separate and requiring control to insure delivery to key areas and

and for export purposes.

The State Council sets up policies for these commodities, insures uniform distribution of these goods, and meets shortages even by such means as importing. However, there are a number of commodities controlled directly by the ministries concerned in order to accomplish particular goals associated with them. The delegation of authority to control these commodities also takes place within the ministries concerned.

Over some commodities the State Council controls only the principal places of production and delivery, and the respective ministries formulate policies over the control of commodities in local areas and give instruction to lower organs to that effect.

A total of 293 commodities fall under the second category. The State Council directly controls, or delegates the authority to ministries, 20 of the commodities falling under this category, namely yellow-Western hemp [various types of hems grown in China and Europe, see the classification of commodities controlled by the Ministry of Commerce], tea, pigs, beef, mutton, chickens, eggs, bamboo, paper, wool products, rubber shoes, penicillin, oil penicillin, streptomycin, carriage tires, bicycles, cigarettes, chemical fertilizers, and agricultural medicine.

All commodities except those covered by the first and second categories, goods and materials distributed uniformly, goods and materials used by industrial sectors, and a number of commodities specifically excluded by law, belong to the third category. Since so many commodities fall under this category, different methods of control are adopted under different circumstances.

Policies on the control of some commodities falling under the jurisdiction of the Ministries of Commerce and Health are decided at meeting of representatives of authorities concerned. The meetings also plan the distribution of commodities and arrange contracts between the supplying and consuming units.

A number of commodities controlled by the Ministry of Foreign Trade are with the approval of local governments, delivered to achieve balance.

In order to achieve a balanced distribution of the commodities falling under the three categories, each hsien, ch'u, and municipality is responsible for providing comprehensive information on production, purchase, sale, delivery, export, import, and storage of these commodities to the proper ministries.

The procurement of balanced amounts of the commodities under second category does not mean the sale of surplus goods in local areas. Neither does it mean arbitrary purchase and delivery between the producing and consuming areas. It means delivering balance amounts /delivering goods to meet shortages developed locally/ under the principle of maintaining an over all economic balance on the basis of the policies of ministries concerned with the control of the particular commodities.

As far as the amounts to be purchased in excess of regular quotas are concerned, negotiations are held between higher and lower organs in order to insure the fulfilment of the plans for delivery, to take into consideration the overall needs of markets in various parts of the nation, and to respond to the concrete supply and demand situations in the commodities. In general it is attempted to give proper consideration to the needs of producing areas, and to stimulate the enthusiasm of local people.

The commodities under the third category are not necessarily sold or produced independently, but are in many cases directly related to the commodities falling under the first and second categories in terms of raw materials and utility.

Therefore, unless the commodities under the third category are controlled properly, adverse results may arise in the attempts to coordinate production and markets. For this reason ministries sponsor meetings to discuss ways and means of balancing supply and demand and facilitating delivery. Also, meetings for exchange of goods and materials are held on various levels in various places under the leadership of party committees of various levels in order to expedite commodity circulation among different areas and to conclude contracts on production and sale. Through these means they supplement the planned control. Thus a variety of commodities under the third category are brought within the bounds of the national planning, the local enthusiasm is stimulated, and the production and sale of these commodities are geared to meet the actual demands.

The editorial of Ta-kung-pao (4 April 1959) explains the spirit of the system of controlling commodities by dividing into categories as follows:

"The system of controlling commodities by breaking them down into categories is an important policy in commercial work. It is the realization of the policy of

combining centralization and decentralization, and merging collective leadership and separate control. It is a concrete application of the system of democratic centralization and the principle of ordering the nation like a chess board to the field of commodity distribution. Once we fully understand this law and fervently carry it out, we may be able to play an important role in strengthening the systematic control over commodities, coordinating markets, and stimulating the progress of production."

The following is a translation of commodities listed under first and second categories as appeared in the No. 3, 1959 issue of the Kuo-wu Yuan Kung-pao.

[In translating technical terms attempts have been made to find conventional English terms corresponding to the original terms. Those terms which have no conventional English equivalents, their Latin terms were used. For other difficult terms Romanization were attempted.]

First Category: 38 Kinds of Important Commodities Controlled by the Central Government

Commodities Controlled by the Ministry of Food

Foodstuff

Edible vegetable oil (including raw materials for oils)

Commodities Controlled by the Ministry of Commerce

Cotton (cotton lint is distinguished)

Cotton yarn

Cotton cloth

Dried tobacco leaf

Gasoline (distinction is made between No. 120 and No. 200 gasoline)

Petroleum

Diesel Oil (light diesel oil is distinguished)

Heavy oil (crude petroleum)

Lubricant (distinctions are made among a variety of lubricants as used for vehicle, engine, machines, turbine, and transformer oil)

Various copper

Commodities Controlled by the Ministry of Foreign Trade

Cow hide (make distinction among cow hide, leather

of water buffalo, tender cow hide, and calf hide)
Sheepskin (distinctions are made among:

Goat

Lamb

Skin of an embryo of lamb

Skin of an embryo of goat

"Hsiao-hu-yang-p'i" [a type of sheepskin]

Lamb wool

Lamb wool

Goat wool

Cashmere

Bristle

Casing

Skin of the intestines of pigs, lambs, goats,
and cattle.

Feathers

Carpeting

For male worker and female worker

Cocoon

Domestically raised cocoons

Tussah cocoons

Castor cocoons

Cocoon wastes

Raw silk

Machine produced raw silk

Domestically produced raw silk

Raw silk made of tussah cocoons

Silk yarn

Wastes of raw silk

Silk goods

Chemical fibers

Synthetic fiber

Rayon yarn

Staple fibers

Mercury

Sulphide

Sulphide of Mercury

Antimonide products

Pure antimony

Antimony oxide

Sulphide of antimony

Tungsten ore

Molybdenite ore

Commodity Controlled by the Ministry of Light Industry

Salt

Commodities Controlled by the Ministry of Health

Yuan-shen /a form of ginseng/
Huang-lun /lit: yellow lotus/
Kan-tsao /lit: sweet grass; Glycyrrhiza glabra/
Tang-shen /ginseng from Shanhai/
Horns of deer

Second Category: 293 Commodities which the Central Government Supplies to Balance Supply Differentials

Commodities Controlled by the Ministry of Commerce

Jute hemp
Hemp
Rami
Ch'ing-ma /Lit: green hemp/
Flax
Manila hemp
Wild Hemp
Fiber of cotton stalk

Domestic animals
Pigs
Refrigerated pork
Bacon
Lard
Meat products
Beef
Lamb and mutton
Refrigerated Beef
Refrigerated mutton
Chicken
Refrigerated chicken
Eggs
Refrigerated eggs
Powdered eggs
Packed eggs
Canned food

Cigarettes
Liquors (beer and 8 kinds of liquors)
Powdered milk
Butter
Cream

Wire
 Nails
 Electric welding rods
 Machine screws
 Wooden screws
 Hinges
 Files
 Spanners
 Metal cutters
 Pliers for cutting steel wire
 Tin products
 Copper products
 Flat rubber belts
 Bicycles
 Tires for carriers
 Rubber tubing
 Automobile parts (42)
 Receiving sets
 Electronic tubes
 Electric cords
 Rubber covered wires
 Electric bulbs
 Low wattage electric bulbs
 Florescent lamps
 Rectifiers
 Plastic products
 Black tape
 Varnished tape
 Vynil chloride
 Bakelite powder
 Calcium hydrochloric acid
 Paraffin
 Mangan powder
 Sulphide black
 Sulphide blue
 Sodium sulphide
 Indigo /Lit Indansnew/ blue RSN
 Bariamin
 Blue B salt
 Nitro-cellulose laquer

(Note: Further studies are necessary to determine the criteria for separating chemical drugs and dyestuffs to be controlled by the Ministry of Commerce and the Ministry of Chemical Industries. Therefore, the number of products listed is comparatively small.)

Chemical fertilizers
 Nitrogenous fertilizers
 Fertilizers containing phosphorous
 Potash fertilizer
Agricultural medicines
 RHC powder
 DDT powder
 "seresan"
 Sulfate of copper
 1605
 1059
 Insecticides
 Derris roots

Towels
Socks
Undershirts
Cotton-wool shirts and pants
Knitted undershirts and pants
Sheets
Cotton yarn
Cotton blankets
Wool knit garments
Blankets
Wool yarn
Shoe soles
Rubber shoes (genuine rubber shoes are distinguished)
 Matches
Toilet soap
Tooth brushes
Thermos bottles
Sewing machines
Aluminium pots
Enameled cups
Enameled washing basins
Wrist watches
Clocks
Desk clocks
Flash lights
Electric batteries
Western paper (stencil paper is distinguished)
Fountain pens
Pen points
Pencils
Cameras
Photo print paper
Film

Roll film
Footballs

Penicillin
Oil penicillin
Streptomycin
Chloromycetin
Aureomycin
Sulfathiazol tablets
Sulfamin tablets
Aspirin compounds
Sulfapiridin
Antipyrin
Hypodermic syringes for human beings
Hypodermic needles for human beings
Thermometer for human beings
Hypodermic syringes for livestock

Tea

Black tea
Green tea
Hua-ch'a [lit. flower tea]
Pressed tea
Oolong tea

Coffee

Bamboo
Citron
Varnish
Wu-peitzel [a growth of some kind on the leaf of
the tree Rhus semi-alata]
Pine resin
Alum
Brimstone
Turpentine oil
Fragrant oils
Peppermint oil
Camphor oil
Fragrant camphor oil
Natural yellowcamphor oil
Camellia oil
Citron oil
Lemon oil
Shan t'sang-tzu yu [oil of a plant]
Cassia oil
Gennel oil
Liu-lan hsiang-yu [extract of orchid]

Orange extract

Tim

Scrap leads

Aluminum scrap

Granulated zinc

Cotton pieces

Rags

Old canvas shoes (used as raw materials for
paper manufacturing)

Hemp

Hemp (waste products)

Rubber waste products

Mats

Straw mats

Smoked rubber sheeting

Miscellaneous wild fibers

Proteins obtained from wild plants

Oils and fats from wild plants

Raw rubber sheeting

Dandelion

Honey

Buswax

Lime soda

Hand-made paper

Umbrellas

Enameled containers

Apples

Tangerines

Pears

Bananas

Pineapples

Sweet apricots

Bitter apricots

Walnut meats

Walnuts

Chinese dates

Longan

Dried longan

Dried lichi nuts

Chestnuts

Lotus fruits

Edible chrysanthemums

Pickled vegetables

Powdered seasoning

Bean noodles
Tennel
Dried bamboo shoot
Yu-lan-p'ien /best quality bamboo shoots/
Mao-chu te sun /young bamboo shoots/
Prickly ash or Japanese pepper
Ginger
Radishes
Garlic
Potatoes
Cabbages
Onions
Scallions

Commodities Controlled by the Ministry of Foodstuffs

Paulownia oil /Tung oil/
Castor oil
Oil made from tohaze peel
Tohaze mixed oil
Vegetable wax
Tohaze oil

Commodities Controlled by the Ministry of Foreign Trade

Rabbit hair
Camel hair
Various other hairs (hairs of domestic animals
and processed bristles)

Horses tails and manes
Weasel pelts
Rabbit pelts (domestic rabbit, wild rabbit, and
angola rabbit)
Pigskin
Water buffalo skins
Badger skins
Deer skins
Colt hides
Hsiang-shu-p'i(chi) /lit. fragrant rat/
Squirrel pelts
Tiger skins
Miscellaneous skins

Molten quartz
Antimony ore
Graphite (scaly, crystal and amorphous)

and solid manganese powder)
Soft manganese ore
Talc

Commodities Controlled by the Ministry of Aquatic Products

Laminaria japonice

Dried laver
Jelly powder
Sharks fins
Fish air bladders
Hai-shu [lit. sea mouse]
Shells
Codfish
Ishimochi [a kind of fish. Japanese pronunciation]
Hairtail
Cuttlefish
Shrimp
Shells of shrimp
Fish powder
Herring
T'sao-yu [lit: grass fish]
Tanago [Japanese Romanization. A kind of fish]
Tench
Carp

Commodities Controlled by the Ministry of Health

Ligusticum acutilobum
Ch'nan-kung
Rhemannia lutea
Byaku jutsu [Japanese term; a plant]
Paeonia albiflora
Val. hortensis (white)
Pachyma cocos Fr.
Ophiopogon spicatus, gawl.
Common reed
Fritillaria Thunbergii Miq.
Lycium chinese Mill
Alisma plantago Alismaceae
Lonicera confusa caprifoliaceae
Chinese dates
Yams (Dioscorea)
Aconite
She-hsiang [lit. to shoot or radiate fragrance]
Niu-huang [the yellow secretion from the gall bladder]

of sick cattle. Used in treatment of
spasms and convulsions/

Gynura japonica

Ch'uan-ch'ung /lit. total-worm/

Bengal quince

Betel nut

Yu-jou

Safflower

Chrysanthemums for medicinal uses

Niu-hsi

Angelica anomala Umbelliferae

Yu-chin /lit. jade-gold/

Lotus

Yun-mu-hsiang /lit. cloud-tree-fragrance/

Yuan-hu /lit. first (original)-tartar/

Hu seems to refer to a variety of
plants of central Asian origin/

Scrophularia oldhami Scrophulariaceae

Pei-sha-shen /North-sands-ginseng/

Wu-chia

Asarum canescens Maxim

Kadsura japonica Dunal

Dried orange peel

Magnolia hypoleuca

Kihata

Tochiu

Lizard's tail

Tung-hua

Chih-tzu

Chaenomeles lagenaria Koidz

Pea

Core of longan

Lizard

Chiang-t'san /Chiang silk worm/

Ta-litzu

Agustache regosa O. Kuntze

Grateloupia filicina

Hemika

Ta-yun /plant with generic name rue/

Bones of tiger

Lung-Ku

Fungus

Xanthium Strumarium L.

Ougin

Elaeocarpus decipiens Hemsl.

FOR REASONS OF SPEED AND ECONOMY
THIS REPORT HAS BEEN REPRODUCED
ELECTRONICALLY DIRECTLY FROM OUR
CONTRACTOR'S TYPESCRIPT

This publication was prepared under contract to the
UNITED STATES JOINT PUBLICATIONS RESEARCH SERVICE
a federal government organization established
to service the translation and research needs
of the various government departments.